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Arizona Corporation Commission

DOCKETED

JUN 14 2005

June 13, 2005

DOCKETED BY

Arizona Corporation Commission  
ATTN: Docket Control AEPCO 01773A-04-0528 and  
SWTCO E-04100A-0527  
1200 W. Washington Street  
Phoenix, AZ 85007

E-04100A-04-0527  
E-01773A-04-0528

Re: Proposed AEPCO Rate Increases  
New Environmental Portfolio Surcharge Program

AZ CORP COMMISSION  
DOCUMENT CONTROL

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Dear Commissioners:

I am writing to express my concern regarding two issues that are soon to be considered by the Arizona Corporation Commission (ACC). The first issue is the schedule of rate increases proposed by Arizona Electric Power Co-operative (AEPCO). The second issue is the New Environmental Portfolio Surcharge Program being considered by the ACC.

As a member of the Willcox Chamber of Commerce and Agriculture, and as the owner and operator of a significant farming enterprise, I have serious concerns about how these two issues will impact our local economy and the financial viability of my business. I serve on both the Economic Development and Agri-business Committees of our Chamber. Among our objectives for these committees is the recruitment of new businesses to the Willcox area and the retention and expansion of the businesses that already exist. If the cost of electricity in our local area increases an inordinate amount, it will have a severely negative effect on our business climate.

It is my understanding that AEPCO is proposing an immediate rate increase of 12.44% for 2005 and an additional 1.5% increase in both 2006 and 2007. This rate increase translates into nearly a 16% increase in electric power cost to my local rural electric co-operative and a 9% increase in electric power cost to my business. The impact on my farming operation would be a power cost increase in excess of \$6,000 per year. A large share of the power distributed in the Willcox area is consumed by farm operations that cannot directly pass increased expenses through to customers like an electrical power generating co-operative can. In the past few years, many of

these farming operations have converted their irrigation pumps from natural gas to electricity. Any rate increase will directly decrease the net income of farmers dollar for dollar. An increase of the magnitude proposed by AEPCO will have serious consequences for the farms and small businesses in the Willcox area.

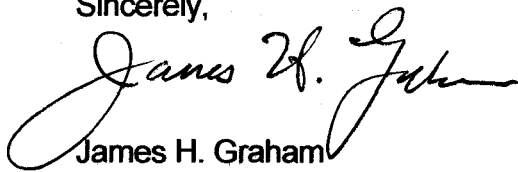
The issue of the proposed New Environmental Portfolio Surcharge Program (NEPSP) could have similar consequences. It is quite typical for commercial farming operations in the Willcox area to have a number of meters serving irrigation pumps powered by electricity. In the case of my farming operation, I have twelve such meters. It is not clear to me from information I have whether these meters would be considered small or large commercial applications. In either case, the increased surcharge cost per meter is substantial. If I assume that my meters would be categorized as small commercial, I would be facing a potential increase in the surcharge of more than \$700 per month and over \$8,000 per year. Again as in my previous argument, this increase represents a dollar for dollar decrease in net income.

Furthermore, I understand that the ACC is considering a proposal to require by 2010 a minimum of 40% of distributed electrical power to be from renewable sources such as wind and solar generation. Although it makes sense to me to pursue alternative technologies for electrical power generation, requiring such a dramatic conversion in such a short period of time seems impractical. Noting that very limited supplies of electricity from renewable sources exist today, a large increase in demand resulting from a hasty decision by the ACC would certainly drive upward the price for such power further dampening economic activity in rural areas.

I believe that it is prudent to investigate and pursue alternate sources of energy. I further believe that such long-term projects should be developed and managed by existing energy providers. Historically, our electrical power systems were built to support economic development. I strongly urge the Arizona Corporation Commission to protect the stability of the economy in rural areas of the state by limiting any rate and meter surcharge increases to a level of absolute necessity. Dramatic changes occurring in a short period of time would have a destabilizing impact on agriculture and small rural businesses.

Thank you for your consideration.

Sincerely,

  
James H. Graham  
Cochise Groves, LLC